

# Office of City Auditor

## **Transportation Financial Management: Revenue Forecasting and Expenditure Management Are Improving**

November 5, 1996

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## Executive Summary

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### **Purpose**

In 1994 and 1995, the Transportation Division worked with the City Council to eliminate an unexpected deficit in funding for existing and planned capital projects. As a result of this funding gap, the City Council requested the Office of City Auditor to perform an audit of the Seattle Engineering Department's Transportation Division. For the purposes of this report, we reviewed the Transportation Division's capital project financing, budgeting, and management to: (1) identify and describe the causes of these funding difficulties and evaluate the changes which the Transportation Division has made to help prevent them from occurring again; and (2) describe and evaluate the Division's budgeting processes and procedures, particularly for capital projects. We have described our findings with regard to the Transportation Division's management controls over revenues and expenditures and its compliance with regulatory and expenditure restrictions in a separate report, Transportation Expenditures: Compliance and Controls Are Good But Can Be Improved, released in November 1996.

### **Results Of Our Work**

The shortfalls in local funding with which Council had to wrestle in 1994 and 1995 were due to difficulties the Transportation Division experienced in budgeting accurately for new revenues. Specifically:

- the amounts of street utility fees and gas tax revenues failed to reach the levels the Division had expected; and,
- new federal grants did not reimburse project expenditures as fully as the Division had anticipated.

We found that the Transportation Division has improved its revenue forecasting methodology, and is tracking the actual rates at which grants reimburse the City for capital project costs.

The Transportation Division's capital budgeting process did not make full use of available local funds each year because it did not recognize the effect of project delays and project cost savings. Instead of reprogramming the funds freed by delays and cost savings to other projects in the same year, the Division held the unspent money for use on the same project in the following year. As a result, actual spending in 1995 was 42 percent below budgeted amounts. The Transportation Division has improved its capital budgeting process to make more timely use of available local revenues. The Division identified the opportunity to reprogram funds freed by underspending in 1995 and is budgeting for more projects in the 1997-1998 Biennial Budget in order to use these funds. We agree that reprogramming these funds represents sound practice. We recommend that the Division work closely with the Office of Management and Planning to implement the necessary budgeting changes.

The Division does not currently track the funds freed by underspending on capital projects during the fiscal year. Tracking these funds at the project level would allow more flexible use of capital project funding and, at the same time, reduce the risk of unanticipated budget shortfalls. Such a system may have reduced the "deficits" in local funding which the Division reported to Council in 1994 and 1995. The Transportation Division is developing software to track specific project under-expenditures that will allow the Division to use the excess funds on other projects. The Division expects to implement this

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important financial management improvement in November 1996. We believe that the new software for tracking changes in the timelines for project expenditures is an important financial management tool, and is critical for successfully reprogramming the funds freed by project underspending. We recommend that the Division complete the development of this software and implement it as soon as possible.

City Council does not receive regular reports on the status of the Transportation program. Regular reports on the status of operational areas, revenues and capital projects would provide more opportunities for discussion of Transportation issues and improve communication between the Council and the Division. In order to improve communication, we recommend the Division provide the Chair of the Transportation Committee with a quarterly report on the status of revenues and operations costs and a bi-annual report on the status of projects in the capital program.

The City lacks a strategic transportation plan. Such a plan would provide better guidance for selecting capital projects and making operational choices. An inter-departmental team is developing specific policies and strategies for a strategic plan, and we recommend the team expedite the development of this plan.

The Transportation Division has not recently abandoned excess capital appropriation authority. Sound budgeting practices call for regularly abandoning this excess, and the Division is currently preparing to abandon it. We recommend the Division complete the process of abandoning excess capital appropriations and continue to abandon them in a timely fashion.

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## **PURPOSE**

In 1994 and 1995, the Transportation Division worked with the City Council to eliminate an unexpected deficit in funding for existing and planned capital projects. As a result of this funding gap, the City Council requested the Office of City Auditor to perform an audit of the Seattle Engineering Department's Transportation Division. For the purposes of this report, we reviewed the Transportation Division's capital project financing, budgeting, and management to: (1) identify and describe the causes of these funding difficulties and evaluate the changes which the Transportation Division has made to help prevent them from occurring again; and (2) describe and evaluate the Division's budgeting processes and procedures, particularly for capital projects. We have described our findings with regard to the Transportation Division's management controls over revenues and expenditures and its compliance with regulatory and expenditure restrictions in a separate report, Transportation Expenditures: Compliance and Controls Are Good But Can Be Improved, released in November 1996.

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## **SCOPE AND METHODOLOGY**

In performing our work we reviewed:

- the Council's briefing materials concerning the Transportation Division's 1994 and 1995 budgeting problems;
- information from the Seattle Financial Management System and the City's Combined Annual Financial Reports;
- revenue and cost information from the Transportation Division; and,
- capital project budgets and expenditures during 1995.

In our analysis, we relied heavily on the 1995 budget submittal for the Transportation Capital Improvement Program, after checking its figures against Transportation Division documents and the 1995 Adopted Budget. To ensure consistency, the Transportation Division used two different financial reporting methods to provide us with actual project costs. We adjusted budget figures and information on actual costs to isolate those associated with Transportation Division responsibilities.

Finally, we discussed grant resources with Transportation Division staff and capital budgeting systems with key manage-

ment staff from the Transportation Division, the Engineering Services Division, other City departments and the Office of

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## Management and Planning.

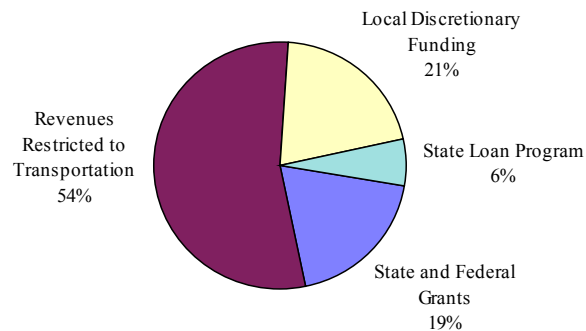
We conducted our field work in accordance with generally accepted governmental auditing standards.

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## BACKGROUND

The Transportation Division is one of four line divisions of the Seattle Engineering Department. It maintains, operates and constructs streets, transportation structures (such as bridges), and traffic control systems in Seattle. The Division had a 1995 budget of approximately \$45.5 million. As Figure 1 shows, about 79 percent of this amount came from revenue sources dedicated specifically to transportation.<sup>1</sup> Local discretionary funding pays for just 21 percent of Transportation Division costs.<sup>2</sup> Addendum B shows the sources of the Division's funding.

Figure 1. 1995 Funding Sources for Transportation



The Transportation Division budget has two principal categories:

- the operations budget, which provides for such activities as pothole repair, street sweeping, street-use permits and bridge operations; and,
- the Transportation Capital Improvement Program, which pays for capital projects, such as resurfacing roads, constructing new roadways, modifying streets to improve traffic flow and safety, and strengthening bridges to better withstand earthquakes.

The Transportation Division pays all expenses directly from the Transportation Operating Subfund, which is then reimbursed for the expenditure from the City fund(s) which the project's billing agreement cites as the appropriate funding source. See Addendum C for a more detailed description of

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<sup>1</sup> For more information about historical revenue levels and specific revenue sources, please see Addendum A: 1993-1995 Revenues from Specific Sources.

<sup>2</sup> Local discretionary funding is money which State or federal law does not specifically restrict to Transportation expenditures. Such funds include Property Tax and Real Estate Excise Tax.



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fund structure.

Each year the Council appropriates from the Transportation Operating Subfund the entire amount the Transportation Division has planned to spend on both operating and capital items. In addition, the Council makes a separate appropriation for the Transportation Capital Improvement Program to allow for carry-over of funds to future years. Although all unspent appropriations from the Operating Subfund expire or are abandoned at year-end, those for the Transportation Capital Improvement Program carry over from year to year.

Project managers in the Engineering Services Division of the Engineering Department manage most capital projects for the Transportation Division, tracking project costs and schedules. The Transportation Division, however, handles the accounting and billing for grant reimbursements.

The Mayor has proposed to place greater emphasis on the Transportation Division by making it into a separate department as part of the 1997-1998 Proposed Biennial Budget.

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## RESULTS OF OUR REVIEW

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### **Funding “Gaps” Resulted From Difficulties In Budgeting Revenues**

The shortfalls in local funding with which Council had to wrestle in 1994 and 1995 were due to difficulties the Transportation Division experienced in budgeting accurately for new revenues. Specifically,

- the amounts of street utility fees and gas tax revenues failed to reach the levels the Division had expected; and,
- new federal grants did not reimburse project expenditures as fully as the Division had anticipated.

The Transportation Division has since taken steps to improve its revenue and reimbursement forecasting methodologies.

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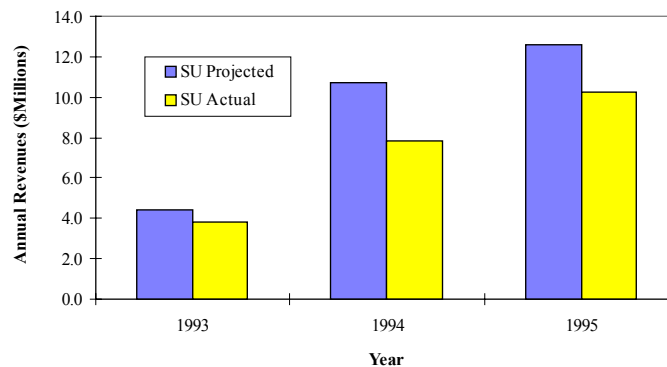
### ***Local Revenues Did Not Reach Expected Levels***

Because the Transportation Division overestimated street utility fees and gas tax revenues in its 1994 and 1995 budgets, it had to seek additional local financing for capital projects and restructure the Transportation Capital Improvement Program to bridge the gap between revenues and budgeted expenditures.

#### Street Utility Fees

The Transportation Division’s projections of 1993-1995 revenue from street utility fees were overly optimistic. Figure 2 compares the actual annual receipts for 1993-1995 with the revenue projections which the Division made in 1993 for the same three years. The City only began collecting street utility fees in 1993. The Transportation Division, therefore, did not have any experience with these fees on which to base its projections.

Figure 2. Street Utility: Projected and Actual Revenues



Because the Transportation Division uses street utility fees only

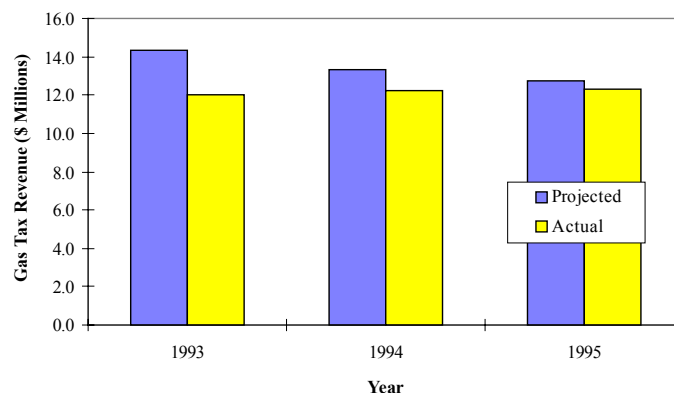
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for capital projects, the shortfall had its full impact on the capital budget. Federal and state grant funds require that the City pay a portion of each project from local matching funds, such as street utility fees. The failure of street utility fees to meet expectations created the need for an infusion of other local financing if the Division was to maintain the same number of projects. In all, the Division had to fill the shortfall in street utility revenue by working with Council to restructure project timelines, eliminate some projects, and fund others with loans from the Public Works Trust Fund.

#### Gas Tax Revenues

As Figure 3 shows, the Transportation Division made similarly optimistic projections of what it would receive as its share of the State's gas tax revenues in 1993-1994.

Figure 3. Gas Tax: Projected and Actual Revenues



In overestimating gas tax revenues, the Transportation Division focused on the overall growth in the State's gas tax receipts, but did not adjust for the decrease in the City's share of the State's incorporated population. The State shares gas tax revenue with cities and towns in proportion to the size of their populations.

Because the State restricts the use of some gas tax revenues to capital projects, the lower-than-expected gas tax revenues created a cash-flow problem for capital projects similar to that created by the shortfall in street utility revenues.

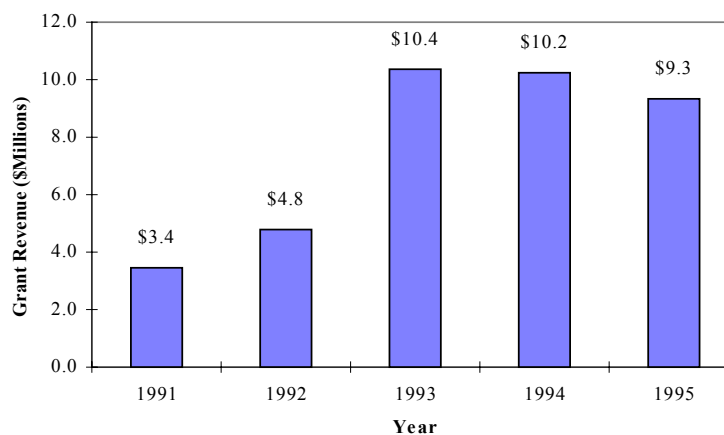
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#### ***New Grant Programs Provided a Lower Reimbursement Rate Than Expected***

The Transportation Division overestimated the proportion of expenditures a large new federal grant program, the Intermodal Surface Transportation Efficiency Act, would provide for capital projects. As Figure 4 shows, with the new federal grant program and new local transportation revenues to act as matching funds, the amount of state and federal grant funding for capital projects increased significantly over 1991-1992 levels -- leaping from \$4.8 million to \$10.4 million between 1992 and 1993.

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Figure 4. Revenue from State and Federal Sources 1991-1995<sup>3</sup>



Because it had no direct experience with these new grants from which to predict actual overall reimbursement rates, the Transportation Division used an overall reimbursement rate of about 80 percent. This projected rate proved unobtainable. The new grants had different reimbursement rules than grants the City had received in previous years. The new grants set limits on certain costs, such as those for design and for construction engineering, and on overhead rates. Costs in excess of these limits remained entirely the City's responsibility. Based on their experience, Transportation staff now estimate the new grants actually reimbursed about 65 percent of total project costs. Because grant reimbursements were lower than expected, the Division did not budget enough City funds in 1994 to match the grant revenues, which created a need for additional local funds.

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***Transportation Has Improved Its Budgeting Methodology***

The Transportation Division has improved its revenue estimating process over the last several years for both the gas tax and grant reimbursements. The Division now works with data from the Washington State Office of Financial Management and the Department of Transportation to estimate the impact of new municipal incorporations on gas tax revenues. The 1995 forecast of gas tax revenues was within 3 percent of the actual receipts,<sup>4</sup> and shows a marked improvement in accuracy over forecasts in 1993 and 1994. In addition, now that the Transportation Division has direct experience with the reimbursement rates for the new state and federal grants, it is able to budget more

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<sup>3</sup> 1992 grant revenues are shown as provided by the Transportation Division. Because of the change in accounting structure in the Engineering Department in 1993, it was difficult to verify this figure. Audit staff verified \$4.4 million in 1992 grants.

<sup>4</sup> Street Utility revenue forecasting also improved. In 1995, the Transportation Division projected Street Utility fees to within 11 percent of actual receipts. In 1995, the Washington State Supreme Court struck down street utility fees for residences, and the City voluntarily discontinued collecting fees from businesses.

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realistically. Current budgets for capital projects with state and federal grant funding reflect the reimbursement rates which the City is actually experiencing. For example, the 1995 budget projected that grants would cover an average of about 54 percent of the costs of projects funded partly from outside sources. The Division is continuing to monitor actual reimbursement experience as a basis for future budgets.

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**By Anticipating Project Under-Expenditures, Transportation Can Improve Capital Budgeting**

The Transportation Division fell far short of fully utilizing available funds for capital projects before 1996. These funds were not fully utilized because the Division did not anticipate that each year it would underspend its budget for a number of projects due to both project delays and cost-saving measures. The Division also had not yet begun tracking funds freed by project delays to allow more flexible use of capital moneys and reduce the risk of unanticipated budget shortfalls. The Transportation Division is now tracking funds and scheduling and budgeting for more capital projects each year to make more timely use of these moneys.

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***Funds Released By Project Delays And Cost Savings Could Be Used To Fund More Transportation Projects***

Prior to 1996, the Transportation Division did not use a significant part of the funds allocated to its capital projects each year. This underspending was caused by project delays and cost savings which the budget process did not take into account. These funds could be used in the short term to fund additional Transportation projects.

A variety of factors frequently delay capital projects, including weather, unanticipated construction problems, and the need to reconsider project design. In addition, the Transportation Division may delay a project so as to coordinate resources with other jurisdictions. For example, the Division delayed improvements to Harbor Avenue Southwest to coordinate with the Port of Seattle projects in the area. Finally, developing design consensus within the neighborhoods which a project affects may also cause delays. For instance, in 1995 difficulties working out final design with affected neighborhoods delayed the Beacon Median project.

A project delay decreases the need for local funding for that project in the current year. In addition, the savings from projects which are completed under budget are available for use on other projects. Based on recent experience with cost savings and project delays, the Transportation Division believes it will spend only 70 percent of its capital budget in any given year.

Before 1996, the Transportation Division did not budget to use the remaining 30 percent of funds freed by “normal” project under-expenditures. Rather, the Division budgeted annually for only those projects it could afford based on project managers’

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estimates of project costs. When projects were delayed, there were no projects to which the “freed” funds could be reprogrammed. The Division also provided a “cushion” of \$500,000 to protect against additional costs.

Unspent funds were carried over to and reprogrammed in the next year. In 1995, the Division spent only 58 percent of its capital budget,<sup>5</sup> carrying \$18.6 million in 1995 capital appropriations into 1996.<sup>6</sup> This figure represents both local money and the expected grant reimbursements associated with it.<sup>7</sup> These budgeting practices resulted in the substantial year-end fund balances shown in Figure 5.

Figure 5: Year-End Fund Balances

	1994	1995
Arterial City Street Subfund	\$1,391,389	\$2,678,225
Street Utility Subfund	571,446	2,923,408
Vehicle License Fee Subfund	251,131	2,233,410
<b>Total:</b>	<b>\$2,213,966</b>	<b>\$7,835,043</b>

These year-end fund balances, in essence, represent potential improvements to the transportation infrastructure which the Division was not pursuing in the short term. By projecting the money that project under-expenditures will make available and tracking it throughout the budget year, the Transportation Division will have more local money with which to initiate additional capital projects.

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***Continuous Tracking Of Project  
Timelines Will Improve Funding  
Use And Reduce Risk***

The Transportation Division does not track project timelines throughout the budget year to regularly estimate the amount of local moneys which cost savings and project delays are making available. Although project managers receive continuous updates of actual project costs, they only provide the Transportation Division’s budget staff with updated project

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<sup>5</sup> For this analysis, we compared project allocations in the 1995 capital budget and actual project expenditures. We included only dollars which the Transportation Division actually managed, excluding (1) \$3.9 million in Washington State Department of Transportation spending and (2) \$20 million for the 1st Avenue South Bridge project, which the Engineering Services Division contracted to manage for the Washington State Department of Transportation. Although the Transportation Division’s capital budget showed both the excluded items, the Division was not responsible for managing either of them. See Addendum D: 1995 Capital Project Budgets and Actual Expenditures for a project by project comparison of budgets and expenditures.

<sup>6</sup> Several large projects which the Transportation Division postponed may account for the particularly low spending rate in 1995. The Division postponed these projects so as to collaborate with other jurisdictions and City neighborhoods in order to use transportation funding more effectively. The Division also postponed several bridge projects to reconsider their design because of high project costs. Excluding these projects, we estimate the Division spent 63 percent of its capital budget. See Addendum E: 1995 Major Project Delays, for a description of these project delays.

<sup>7</sup> Using the 1995 capital budget as a basis, in an average year the Transportation Division would not use about \$13 million in spending authority by year-end, including about \$7 million in local funds.

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timelines once a year as part of the budget process.

Tracking project timelines throughout the budget year would allow the Transportation Division to better estimate the current-year local funding which project under-expenditures make available and to identify funding shortfalls on other projects. Tracking the timing of capital projects' future expenditure streams more closely could help keep the Division from either reacting to a spurious budget "crisis" or failing to identify a real crisis. Such tracking would likely have reduced the amounts of the "deficits" in local matching funds which the Division reported to Council in 1994 and 1995.

The Transportation Division has recognized the importance of tracking project timelines in managing capital projects, and is developing a computer program to do so. Every two months, the program will receive actual project expenditures from the Engineering Services Division's project management system. By incorporating these actual figures into a model of expenditure timing during an average project, the software will forecast spending for the coming months and determine whether expenditures will exceed or fall short of the project's budget. Combining the results for all capital projects will show the total funds available in the capital budget as a whole. The program will also produce out-year forecasts, which will allow the Division to more accurately identify the additional funds it will need in future years because of present-year project delays.

The Transportation Division expects that the new tracking software will be in place by November 1996. We believe this tracking system will be a valuable management tool and recommend that the Transportation Division test and implement its new software as quickly as possible.

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***Transportation Now Incorporates  
Project Under-Expenditures into  
the Capital Budget***

The Transportation Division is scheduling and budgeting for more capital projects each year to make more timely use of moneys made available by project delays. The Division has budgeted in 1997-1998 to spend a portion of the money freed by cost savings and project delays it expects from its experience in recent years. The Division will continue to request appropriations for 100 percent of costs expected on each project. However, it will add additional projects to the capital program, so that when some projects are delayed, the funds freed may be used for other projects. In effect, the capital budget will make appropriations for more than 100 percent of annual available funds. Through its new tracking system, the Division will monitor actual under-expenditures to ensure that actual spending does not exceed actual revenues.

We agree with the Transportation Division's efforts to make more timely use of funds which under-expenditures make available. However, an alternative approach is to make appropriations for 70 percent of the expected cost of each project and include more projects in the capital program.<sup>8</sup> The Division's current practice of budgeting for capital projects by program category provides the flexibility to transfer appropriations between projects during the year as projects are delayed and savings are identified. The advantage of this approach is that it does not require appropriations in excess of expected local revenues. However, it would create more frequent transfers of spending authority between projects and make actual project spending vary from budgeted amounts more often. This budgeting approach is used by the Water Department. We recommend that the Transportation Division work closely with the Office of Management and Planning to develop its new budgeting process and consider making it consistent with the capital budgeting practices of other City departments.

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**Regular Status Updates  
Would Improve  
Communication with City  
Council**

The City Council currently does not receive regular reports on the status of the transportation program. Regular reports on the status of operational areas, revenues and capital projects would provide more opportunities for discussion of transportation issues and improve communication between the Council and the Division.

The current formal mechanisms for communication between the Transportation Division and City Council are the annual budget

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<sup>8</sup> The Transportation Division believes that on the average, it will spend 70 percent of its capital budget each year. If the Division budgeted each project in the capital program at 70 percent of expected project costs, it could include 43 percent more projects in its capital budget while staying within expected annual local revenues.



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process and regular meetings between the Engineering Department Director and the Chair of the Transportation Committee. Issues requiring Council action may also be discussed as needed during the year. None of these forums currently provides a broad overview of the progress the Division is making in its tasks for the year. Such an overview would familiarize the Transportation Chair with a wider array of the challenges facing the Division.

At a minimum, reports on the status of the Transportation Division should include:

- A comparison of actual Transportation revenues with forecast amounts. When actual revenues fall short of forecast amounts, the Division reduces some areas of planned spending. The revenue report will help Council understand the size of the adjustments and provide the Transportation Chair with the opportunity to discuss the adjustments with the Division. The Division currently provides such a revenue report to the Director of the Engineering Department every quarter.
- A comparison of actual operations expenditures with budgeted expenditures. This report would provide the Transportation Chair with specific information about where the Division was placing resources and would help to identify problem areas. A similar report is already available to the Engineering Department Director.
- A comparison of planned and actual progress on capital projects. Transportation capital projects experience significant delays. A report on the status of projects would give the Council early notice of project delays. This report could be similar to the table in Addendum D, and might include project timeline forecasts from the computer program which the Division is developing. Projects which differ significantly from expectations could be described in more detail.

We recommend that the Transportation Division provide the Chair of the Transportation Committee with a quarterly report on revenues and operations costs, as well as a bi-annual report on capital project status.

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## **Additional Items**

Two additional issues deserve consideration:

- the City lacks a strategic transportation plan; and,
- the Transportation Division has not regularly abandoned capital project appropriation authority which it no longer plans to use.

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### ***The City Does Not Have a Strategic Transportation Plan***

The City lacks a strategic plan for selecting capital projects and making operational choices in pursuing its transportation goals. While the City has adopted some ordinances and resolutions called “transportation plans,” they are only designed to satisfy specific State requirements. Implementing the goals the City adopted for the transportation program in its Comprehensive Plan will require more specific policies and priorities. Over the past two years the City has made considerable progress in prioritizing other types of capital projects, and we believe this type of planning would also benefit the transportation program.

A team comprised of several City departments, including the Office of Management and Planning, the Neighborhood Planning Office, and the Transportation Division of the Engineering Department, is developing specific strategies and policies in many areas of transportation policy as a basis for a strategic plan. We recommend that this team expedite their efforts to develop this plan.

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### ***The Transportation Division Has Not Recently Abandoned Appropriation Authority Which It No Longer Plans To Use***

The Transportation Division has not recently abandoned appropriation authority which it no longer plans to use for capital projects. For example, from 1992-1995, the City appropriated \$3.6 million for rehabilitating concrete arterial streets. In some years, actual spending on the program was cut back at mid-year because local revenues were lower than expected. \$3.0 million was actually spent, leaving \$600,000 of excess spending authority, which automatically carries over from year to year. Similarly, the Division has not abandoned excess appropriation authority related to completed projects. The Transportation Division has not attempted to misuse the excess authority; rather, it just ignores it.

Although not all excess appropriation authority represents money available for spending, good accounting practices call for tracking appropriation authority and abandoning amounts which the Transportation Division does not intend to use. The Transportation Division is now preparing to abandon its excess appropriations. We recommend that the Division work with the Office of Management and Planning to complete this abandonment, and to abandon excess appropriations regularly.

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## RECOMMENDATIONS

In our review, we found that the Transportation Division has:

- improved its methods of forecasting the Gas Tax by working with State agencies to anticipate changes in Seattle's share of the tax; and,
- monitored actual grant reimbursement experience as a basis for future budgets.

We believe that these steps have improved revenue forecasting and recommend that the Division continue them.

The Division has also recognized the need to track money made available by project delays and is developing software to track these moneys. We recommend that the Division complete, test and implement the software as quickly as possible.

The Division has proposed in the 1997-1998 Biennial Budget to schedule more projects to make timely use of available funds. We believe that this is a management improvement and recommend that the Division work closely with the Office of Management and Planning to develop the changes to its budget processes.

Regular reports on the status of the transportation capital program would improve communication between the Transportation Division and the City Council. We recommend the Division provide the Chair of the Transportation Committee with a quarterly report on the status of revenues and operations costs and a bi-annual report on the status of projects in the capital program.

The City lacks a strategic transportation plan for selecting capital projects and making operational choices in pursuing its transportation goals. An inter-departmental team is developing strategies and policies for such a plan. We believe that this plan is critical for the guidance of transportation investments and recommend that the team expedite development of the Transportation Strategic Plan.

Finally, the Transportation Division does not regularly abandon excess capital appropriations. While not all of this excess is money available for spending, it is sound financial practice to abandon it. The Division is now preparing to abandon its excess capital appropriations. We recommend that the Division work with the Office of Management and Planning to complete this abandonment and regularly abandon excess capital appropriations in the future.

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## 1993-1996 Revenues from Specific Sources

### Annual Revenues Received from Recurring Sources 1993-1996

	1993 Actual	1994 Actual	1995 Actual	1996 <i>Expected</i>
<b>Local Discretionary Funding</b>				
General Fund	\$ 8,919,107	\$ 9,245,175	\$ 8,812,296	\$ 14,746,781
Cumulative Reserve Fund	\$ 1,470,000	\$ 1,200,000	\$ 1,400,000	\$ 4,642,000
<b>Revenues Restricted to Transportation</b>				
Gas Tax	\$ 12,035,749	\$ 12,205,356	\$ 12,280,768	\$ 12,659,734
Vehicle License Fees	\$ 4,280,740	\$ 4,394,365	\$ 4,394,817	\$ 4,394,817
Street Utility	\$ 3,822,294	\$ 7,816,250	\$ 10,273,672	\$ -
<b>State Low-Interest Loan Program</b>				
Public Works Trust Fund	\$ 567,000	\$ 4,222,836	\$ 3,066,396	\$ 6,295,000
<b>State and Federal Grants</b>				
State Grants	\$ 5,792,055	\$ 2,754,112	\$ 3,177,777	\$ 5,803,000
Federal Grants	\$ 4,594,498	\$ 7,476,659	\$ 6,164,244	\$ 14,935,000
<b>Total:</b>	<b>\$ 41,481,443</b>	<b>\$ 49,314,753</b>	<b>\$ 49,569,970</b>	<b>\$ 63,476,332</b>

Although the total for 1996 expected revenues appears to be \$14 million more than 1995 actual revenues, the Division will probably only receive \$53 million in 1996. This difference is due primarily to underspending on the capital program. Each year, the Transportation Division spends less than it budgets on its capital program. A large amount of the capital program is paid for by reimbursements from the Public Works Trust Fund and state and federal grants. When budgeted funds are not spent, these reimbursements are not received. Since the Division will under-spend its capital budget in 1996, it will not receive the full \$27 million in reimbursements which it budgeted. If it receives its historical level of reimbursements from state and federal grants of about \$10 million per year, its 1996 actual revenues will be about \$53 million.

The City of Seattle no longer receives revenues from the Street Utility. In 1995, the Washington State Supreme Court struck down street utility fees for residences, and the City voluntarily discontinued the fees for businesses.

For a description of these funds and fund sources, please see Addendum B.

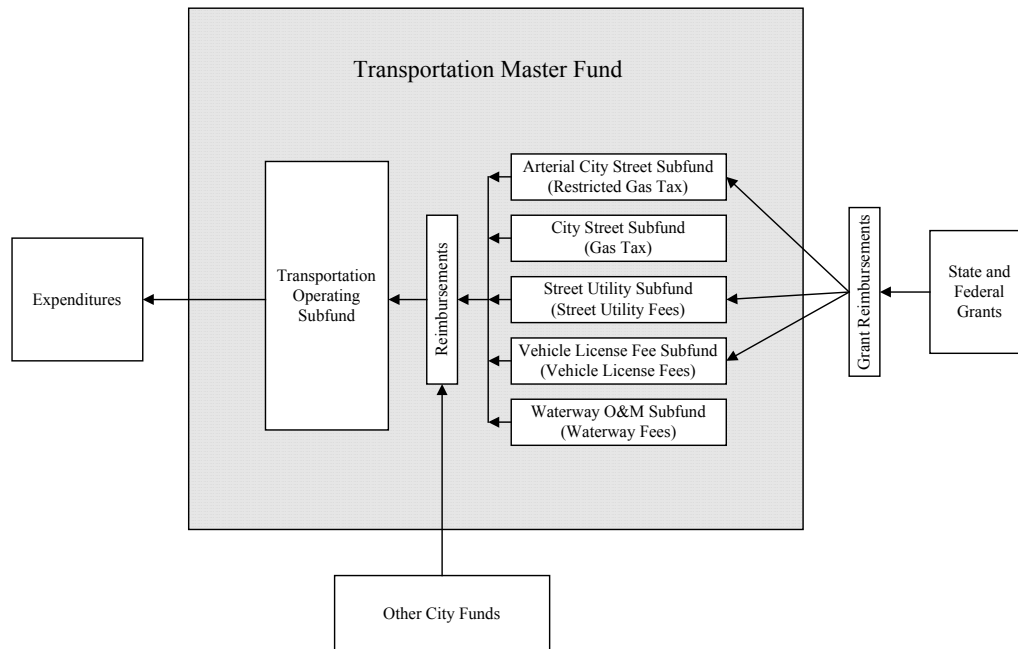
## Transportation Division Revenue Sources

Fund	Revenue Source	Expenditure Restrictions
General Fund	The City's general revenue sources, including property tax and business and occupation tax.	Municipal purposes.
Cumulative Reserve Fund	Real Estate Excise Tax, street vacation revenues and transfers from the General Fund.	Capital purposes. Primarily for major maintenance.
Street Utility Subfund	<p>All fees were suspended as of December 1995 (see previous page). They were:</p> <ul style="list-style-type: none"> <li>• Commercial Street Utility Fees of \$2 per month per full-time equivalent employee of businesses.</li> <li>• Residential Street Utility Fees of \$2 per single-family household and \$1.35 per multi-family housing unit per month.</li> </ul>	Restricted by state law to transportation purposes. Restricted by City policy to improving the earthquake resistance of bridges, some neighborhood requested projects, and the administrative costs of collecting the fees.
Vehicle License Fee Subfund	A \$15 per vehicle licensing fee.	Restricted by state law to transportation purposes.
City Street Subfund	<p>State motor vehicle fuel taxes (gas taxes).</p> <p>Per-gallon taxes on vehicle fuels collected and allocated by the State.</p>	Restricted by state law to highway purposes.
Arterial City Street Subfund	<p>State motor vehicle fuel taxes (gas taxes).</p> <p>Per-gallon taxes on vehicle fuels collected and allocated by the State.</p>	Restricted by state law to capital projects in City-owned rights-of-way.
Waterway Operations and Maintenance Subfund	Fees collected from waterway use, occupation permits, and reimbursements for removal/towing of obstructions to the waterway.	Restricted for use in administration, inspection, and policing involved with permits and to avoid interference in the use of the City's waterways.
State and Federal Grants	State and federal funds which generally reimburse the City for a percentage of project costs. Grant rules determine what costs are allowable, and different grants have different reimbursement rates.	Awarded for a specific project or program.
Public Works Trust Fund	State loan program. Interest rates are particularly low (1% to 3%). Matching funds are required, and the interest rate decreases as the percentage of local funds used increases. Loans are for up to 20	Restricted for use on individual or multi-system capital projects involving bridges, roads, water, and sewer systems.

Transportation Division Revenue Sources

	years.

## Transportation Division Revenue Sources



Money flows through the Transportation Master Fund in the following way:

1. An expenditure is made from the Transportation Operating Subfund.
2. The Transportation Operating Subfund is reimbursed by:
  - another Transportation subfund; or,
  - another fund within the City.
3. If the expenditure qualifies for grant funding, then a granting agency is billed for part of the expenditure. These grant funds are deposited into the Transportation subfund which reimbursed the Transportation Operating Subfund.



## 1995 Project Budgets and Actual Expenditures

### Comparison of 1995 Capital Project Actual Expenditures and Budgets (\$1000s)

Program	CIP #	Name	1995 Actual Expenditure	1995 Appropriation	1995 Allocation	1995 Transfers	1995 Adjusted Allocation (Budget)	Actual as % of 1995 Adjusted Allocation
MM	E32247	ARTERIAL RESURFCG PROGRAM	1,419	1,807	1,807	71	1,878	76%
	E32259	HYDROCUSHION REPL PROG	36	15	15	-	15	238%
	E32316	CONCRETE ST REHAB PROG	(23)	150	150	(26)	124	-19%
	E32352	CBD CONC ST REHAB	688	830	830	-	830	83%
	E32377	RE-STAB AND RE-SEALING	583	600	600	-	600	97%
	E32386	HIGH HAZARDS CORRECTN PRJ	71	70	70	45	115	61%
	E32392	NON-ARTERIAL ASPH RESURFG	127	100	100	-	100	127%
	E32445	GUARDRAIL REHABILITATION	57	64	64	-	64	89%
	E32487	CROSSWALK REHAB PROGRAM	151	156	156	-	156	97%
	E32490	BRIDGE PAINTING PROGRAM	223	255	255	(71)	185	121%
	E32568	RR XING DEVICES VAR LOC	40	260	260	-	260	15%
	E32724	CBD LIGHTING 91	142	250	250	-	250	57%
	E32725	SIGNAL MAJOR MAINTENANCE	264	251	251	-	251	105%
	E36143	STOP SIGN REHAB	102	125	125	-	125	82%
	E36451	BRIDGE SEISMIC RETROFIT	3,871	6,114	7,434	(1,392)	6,042	64%
	E36458	HARBOR AVE BRIDGE REPLCMT	634	1,739	2,539	-	2,539	25%
	E36468	BRIDGE RESURFCG & GRATING	1,926	2,180	2,425	-	2,425	79%
	E36469	LIGHTING PROGRAM	71	300	300	-	300	24%
	E36470	NEIGHBORHOOD PROGRAM	15	100	100	(100)	-	-
	E36472	MAJOR STREET RECONSTRUCTION	102	1,000	1,000	-	1,000	10%
	E36473	TR CONTRL REGULATRY SIGNS	36	65	65	-	65	55%
MM Total			10,532	16,431	18,796	(1,473)	17,323	61%
D-ES	E32003	MISC/UNFORSEEN/EMERGENCY	12	200	200	-	200	6%
	E32031	WEST SEATTLE FREEWAY (NR 1995)	76	578	641	-	641	12%
	E32228	BIKE SPOT/SAFETY PROG	472	386	700	(3)	697	68%
	E32287	COMMUTER POOL PROGRAM	134	58	160	3	163	82%
	E32311	CONSOLIDATED NGHBRHD TRAF	2,235	1,436	2,756	65	2,821	79%
	E32313	LEFT TURN SIGNALS	80	68	68	27	95	85%
	E32361	NEW TRAFFIC SIGNALS PROG	314	300	300	50	350	90%
	E32598	ARTERIAL ST LIGHTING	66	60	60	-	60	110%
	E32727	NEIGHBORHOOD LIGHTING 91	118	200	200	-	200	59%
	E32758	N/NW 39TH ST SIG UATA	223	21	570	-	570	39%
	E32764	2ND AVE ST IMPVT	1,495	2,240	2,253	-	2,253	66%
	E36421	S GRAHAM STREET IMPRV	164	-	70	-	70	234%
	E36422	M L KING JR WAY ST IMPRV	755	-	350	-	350	216%
	E36463	RAINIER AVE UATA (NR 1995)	-	376	475	-	475	0%
	E36464	S GENESEE-42ND-RAINIER IM	192	305	340	-	340	56%
	E36465	E UNION-18 AVE-23 AVE.SIG	35	189	189	-	189	18%
	E36466	RENTON AVE S UATA 1993 (NR 1995)	637	822	822	-	822	77%
	E36471	NEIGHBORHOOD PROGRAM	54	400	400	100	500	11%
	E36474	23RD AVE/E MADISON ST IMP	181	776	776	-	776	23%
	E36475	S SPOKANE LOWER ROADWAY (NR 1995)	-	-	30	-	30	0%
	E36476	NE 42ND/CAMPUS PKWY SIGNL	2	-	110	-	110	2%
	E36477	15TH AVE W PED SIGNALS	4	158	183	-	183	2%
	E36478	Listed as "various" mobility projects	-	250	250	-	250	0%
	E36480	SPOKANE ST VIADUCT	2,330	2,006	2,331	1,392	3,723	63%
	E36486	CBD SIG/MOBILITY ENHNCMNT	80	81	81	-	81	98%
	E36487	ALASKAN WY-BROAD TO UNIV	58	150	150	-	150	39%
D-ES Total			9,716	11,060	14,465	1,633	16,098	60%
D-FS	E32317	TRAF CONTROL SPOT IMPRV	888	868	868	41	909	98%
	E32700	LK UNION SHIP CANAL TRAIL	758	370	1,380	-	1,380	55%
	E32701	DUWAMISH BIKEWAY	116	-	732	-	732	16%
	E32744	TRANSP PROJECT DEVELOPMNT	121	150	150	-	150	81%
	E32745	NORTHGATE I-5 RAMPS	559	600	600	-	600	93%
	E36446	MULTI-MODAL TERMINAL	900	-	1,948	-	1,948	46%
	E36454	BEACON AVENUE MEDIAN PH 4	145	1,302	1,302	-	1,302	11%
	E36455	RAINIER S HOV/SIGNAL ETAL	481	28	1,513	-	1,513	32%
	E36456	LINC	754	-	785	-	785	96%
	E36461	S BOEING ACCESS ROAD	71	-	98	-	98	73%
	E36467	ALKI TRAIL	3	-	15	-	15	22%
	E36479	WATERFRONT STCAR EXT STDY	27	-	225	-	225	12%
	E36484	WEST LAKE UNION TRAIL	8	720	720	(227)	493	2%
	E36485	32nd Ave W/W. Loakes St. (NR 1995)	-	43	43	-	43	0%
	E36488	MERCER CORRIDOR PROJECT	308	-	350	-	350	88%
D-FS Total			5,140	4,081	10,729	(186)	10,543	49%
Grand Total			25,388	31,572	43,990	(26)	43,964	58%

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## 1995 Project Budgets and Actual Expenditures

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**Explanation of Table:**

- MM - Major Maintenance. The capital project program category for rehabilitation and maintenance projects.
- D-ES - Development of the Existing System. The program category for capital projects which make improvements to the existing infrastructure.
- D-FS - Development of the Future System. The program category for capital projects which expand the capacity of City transportation infrastructure.
- 1995 Actual Expenditure - Actual spending on projects in 1995.
- 1995 Appropriation - The amount of new appropriations provided for the project as part of the 1995 budget.
- 1995 Allocation - The total expected cost of the project in 1995. This number includes the 1995 Appropriation and carry-over appropriations for the project from previous years.
- 1995 Transfers - Transfers of appropriations between projects.
- 1995 Adjusted Allocation (Budget) - This is the 1995 Allocation adjusted by the amount of 1995 Transfers. It is the total amount of money budgeted for the use on the project in 1995.
- Percentage of 1995 Allocation Used - The percentage of the 1995 Adjusted Allocation divided by 1995 Actual Expenditures.

## 1995 Major Project Delays

### 1995 Transportation Capital Projects with Under-Expenditures of More Than \$1 Million<sup>9</sup> (\$1,000s)

CIP #	Name	1995 Actual	1995 Appropriation	1995 Allocation	1995 Transfers	1995 Adjusted Allocation	Percentage of 1995 Adjusted Allocation Used	Under-Expenditure
E36451	BRIDGE SEISMIC RETROFIT	3,871	6,114	7,434	(1,392)	6,042	64%	2,171
E36458	HARBOR AVE BRIDGE REPLCMT	634	1,739	2,539	-	2,539	25%	1,905
E36480	SPOKANE ST VIADUCT	2,330	2,006	2,331	1,392	3,723	63%	1,393
E36454	BEACON AVENUE MEDIAN PH 4	145	1,302	1,302	-	1,302	11%	1,157
E36446	MULTI-MODAL TERMINAL	900	-	1,948	-	1,948	46%	1,048
E36455	RAINIER S HOV/SIGNAL ETAL	481	28	1,513	-	1,513	32%	1,032
<b>Total:</b>		8,361	11,189	17,067	-	17,067	49%	8,706

- Bridge Seismic Retrofit - Bids for construction work on several bridges were much higher than expected. These projects have been delayed in order to arrange a new funding strategy and to reconsider project designs.
- Harbor Avenue Bridge Replacement - Right-of-way problems delayed the advertising of Bridge A until the latter part of 1995. This deferred anticipated construction costs into 1996.
- Spokane Street Viaduct - This project was accelerated in 1994, and actual final costs were \$400,000 less than budgeted. This means that costs budgeted for 1995 were actually paid for in 1994.
- Beacon Avenue Median - Developing community consensus on the design of this project took longer than expected. Construction was delayed through 1995. The demise of the Street Utility at the end of 1995 eliminated the planned funding source for the project, and it is now on indefinite hold.
- Multi-Modal Terminal - Federal review of the Environmental Impact Statement took longer than originally anticipated.
- Rainier Avenue South High Occupancy Vehicle Improvements - This project was delayed in order to coordinate improvements with Metro construction in the area and to take advantage of a subsequent Urban Arterial Trust Account grant. Both actions increased the amount of outside funds leveraged by local funding.

<sup>9</sup> These descriptions were provided by the Transportation Division, and were not reviewed for accuracy as a part of this audit.

## 1995 Major Project Delays

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## Office of City Auditor Report Evaluation Form

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\*\*\*\*\*

Report: **Transportation Expenditures: Compliance and Controls Are Good But Can Be Improved (November 5, 1996)**

Please rate the following elements of this report by checking the appropriate box:

	<b>Too Little</b>	<b>Just Right</b>	<b>Too Much</b>
Background Information			
Details			
Length of Report			
Clarity of Writing			
Potential Impact			

Suggestions for our report format: \_\_\_\_\_

Suggestions for future studies: \_\_\_\_\_

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Thanks for taking the time to help us.

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Call: Nora J.E. Masters, City Auditor, 233-0088

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